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# THE SOVIET UNION AS A EUROPEAN POWER

by

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*with the aid of the Research Staff of the Foreign Policy Association*

## FIVE-YEAR PLAN SUPERSEDES WORLD REVOLUTION

WHILE the World Economic Conference, which opened in London on June 12, was deadlocked over the question of currency stabilization, M. Litvinov, Soviet Commissar of Foreign Affairs, utilized this international gathering to consolidate Soviet relations with the leading European powers. On June 14 he announced his government's readiness to place orders for raw materials and manufactured goods totaling \$1,000,000,000, provided capitalist states extend long-term credits and refrain from boycotting Soviet exports; as a corollary, he proposed the conclusion of economic non-aggression pacts which would bar all trade discrimination by one state against another. In London the Soviet Union also concluded two conventions with its neighbors, defining the term "aggressor," which constitute an important step toward the political stabilization of Eastern Europe. These developments reflect the tendency of the Soviet government, since 1928, to subordinate its championship of world revolution to the arduous task of economic construction under the Five-Year Plan. Far from seizing on the world depression to strike a blow at capitalism, the Soviet Union has never seemed so eager to maintain international peace, which alone can assure the fulfilment of its economic plans, and so ready to collaborate with capitalist countries irrespective of their attitude toward communism.<sup>1</sup>

The Soviet government's concern for the maintenance of peace, and its unwavering support of all measures for military and economic disarmament are determined less by disinterested idealism than by the desire to protect the national economy against outside disturbance. While the first Five-Year Plan has succeeded in providing the Soviet Union with a broad basis for industrial production and in practically eliminating unemployment, it has not yet furnished the population with an adequate supply of foodstuffs and

consumers' goods—a task which remains to be accomplished under the second Five-Year Plan. The Soviet Union, moreover, has not escaped the effects of the world depression, which has had serious repercussions on its foreign trade; Soviet exports declined from \$410,000,000 in 1930 to \$220,000,000 in 1932, and imports decreased from \$500,000,000 to \$350,000,000 during the same period.<sup>2</sup> The Soviet government, through its monopoly of foreign trade, is theoretically in a position to plan exports and imports on an annual basis, and adjust both to the requirements of the Five-Year Plan and the condition of world markets.<sup>3</sup> Nevertheless, the sharp decline of world prices on raw materials exported by the U.S.S.R., which have fallen more rapidly than the prices of imported machinery and manufactured goods, have played havoc with Soviet plans, and the Soviet Union has had an unfavorable balance of trade since 1930. This situation is all the more disturbing because, although the Soviet Union has no loans outstanding abroad, it owes considerable sums on credits extended for Soviet purchases by Great Britain, Germany and other countries—credits which can be repaid only by increased exports of goods or gold. Nor does the drastic curtailment of imports which the Soviet government envisages under the second Five-Year Plan offer a satisfactory solution of the problem, as it threatens to delay the construction or operation of important industries which depend on foreign machinery or foreign experts. It is not surprising, under the circumstances, that the Soviet Union should wish to establish or improve relations with all states which might offer outlets for its exports or credits for its purchases.

Nor have Soviet overtures fallen on deaf ears. The growing seriousness of the world crisis and the rise of German nationalism have led states once hostile to the Soviet régime to seek its economic and possibly military collaboration, and have fundamentally altered the position of the Soviet Union in world affairs. Confronted after 1919 by a virtual capitalist boycott and embittered by

1. While Soviet publicists continue to predict an inevitable conflict between capitalism and communism, the official attitude of the Soviet government is summed up as follows: "Differences in political and social systems cannot serve as an obstacle to the development of economic relations, if only our partners do not undertake the impossible task of liquidating these differences in their own interests." "The Meaning of Agreements between the U.S.S.R. and Italy," *Izvestia*, May 9, 1933.

2. *New York Times*, June 18, 1933.

3. For details regarding the operation of the Soviet foreign trade monopoly, cf. Vera M. Dean, "Foreign Trade Policy of the Soviet Government," Foreign Policy Association, *Information Service*, December 10, 1930.

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Allied intervention, the Soviet government at first cultivated the friendship of states which, for one reason or another, were dissatisfied with the Versailles settlement. Like the defeated powers, the Soviet Union resented the dominance of France, which it regarded as the arch-enemy of the "first workers' republic in the world" and the instigator of an anti-Soviet coalition disguised as the League of Nations. This policy resulted in the conclusion of the Rapallo treaty with Germany in 1922, the establishment of close relations with Italy in 1924, and of political and economic collaboration with Turkey. The Soviet government, moreover, through its advocacy of world revolution and anti-imperialism, became so deeply absorbed in its relations with Eastern countries, especially China, that some observers believed it had definitely set its face toward the East and would never play an important part in European affairs.

Germany's decision to adopt the Western orientation advocated by Stresemann, which led to the conclusion of the Locarno treaties in 1925 and the Reich's entrance into the League of Nations a year later, served to alter the course of Soviet foreign policy. While "the spirit of Locarno" had no adverse effect on Soviet-German relations, which were soon strengthened by the rapid growth of trade between the two countries, the Soviet Union began to take a more active interest in its contacts with other Western states, and showed an increasing willingness to share in the technical activities of the League. The setback suffered by communism in China, and the severance of Sino-Soviet diplomatic relations in 1927 also tended to divert the attention of the Soviet government to the European scene. Most important of all, the inauguration of the Five-Year Plan in 1928 and the arduous efforts required for its realization shifted the emphasis of Soviet foreign policy from world revolution to economic reconstruction, and made it advisable to cultivate friendly relations with capitalist states.

The first effect of the Five-Year Plan, however, was to revive anti-Soviet sentiment in the Western world. The capitalist states, which in 1919 had feared the spread of Bolshevism and had advocated the formation of a *cordon sanitaire* along the Soviet border, now argued that the Five-Year Plan, which they had first regarded as fantastic, might flood world markets with "dumped" Soviet goods produced by "forced labor." The fact that some of the states which denounced Soviet trade most violently—notably France—had once participated in Allied intervention, confirmed the Soviet government's belief that the capitalist world, under the leadership of France and its Eastern Euro-

pean allies, had launched a new plot against the Soviet Union.<sup>4</sup> The "anti-dumping" campaign reached a climax in October 1930, when France subjected Soviet goods to a system of licenses; and in January 1931, during the Ramzin trial, France was held up to opprobrium by the Soviet press as the chief instigator of anti-Soviet machinations.

The Soviet attitude toward France underwent a radical change in 1931-1932 when the French government, alarmed by the rise of German nationalism, attempted to establish collaboration with the Soviet Union. The rapprochement of the two countries led to rumors of a new Franco-Russian alliance directed against Germany. While the Soviet government appears determined to pursue a policy of friendship with all countries, and alliances with none, it has definitely abandoned its former anti-French and anti-Versailles course, fearing that treaty revision as advocated by Germany would result in another World War, which would jeopardize the Soviet economic program.<sup>5</sup>

The Anglo-Soviet rift created by the trial of six British engineers in the Soviet Union in April 1933, and subsequent trade hostilities between the two countries was healed in July, when Great Britain raised its embargo on Soviet goods, and the Soviet government reciprocated by releasing the two Britishers who had received prison sentences and canceling its counter-embargo. Meanwhile, the Soviet Union has succeeded in preserving neutrality in the Far East and, without seriously antagonizing Japan, has renewed diplomatic relations with China.<sup>6</sup> The prospect of economic collaboration between the United States and the Soviet Union, moreover, is now brighter than at any time since 1917.<sup>7</sup> The Soviet Union has thus definitely emerged from the comparative isolation of the post-war decade, and is ready to assume in world affairs the position to which it is entitled by reason of its territory, population and natural resources.

The question inevitably arises whether the foreign policy of the "first socialist state in the world" differs essentially from that of capitalist countries, whether it is more or less pacific, and whether it will eventually lead to a clash between capitalism and com-

4. E. Bratin, "Vneshnyaya Politika S.S.S.R. v Svete Itogov Piatiletki" (The Foreign Policy of the U.S.S.R. in the Light of the Results of the Five-Year Plan), *Mirovaya Khozyastvo i Mirovaya Politika* (World Economy and World Politics), March 1933, p. 125.

5. Karl Radek, "Revizia Versalskovo Dogovora" (Revision of the Versailles Treaty), *Pravda*, May 10, 1933.

6. For a survey of Soviet-Japanese relations in 1931-1932, cf. Vera M. Dean, "The Soviet Union and Japan in the Far East," *Foreign Policy Reports*, August 17, 1932. Recent developments in Soviet-Japanese relations may be discussed in a forthcoming issue of *Foreign Policy Reports*.

7. For a survey of Soviet-American relations, cf. Vera M. Dean, "The Outlook for Soviet-American Relations," *Foreign Policy Reports*, March 15, 1933.

On July 2 the Reconstruction Finance Corporation authorized loans totaling \$4,000,000 to American exporters to finance the sale of 60,000,000 to 80,000,000 bales of cotton purchased by the Soviet Union.

munism. The sixteen years which have elapsed since the establishment of the Soviet government are perhaps too short a period to warrant a conclusive answer. It may be said, however, that Soviet foreign policy, at first deeply colored by dreams of world revolution, is now firmly based on the economic needs and aspirations of the U.S.S.R. as a national unit; the early period of communist internationalism has been followed by a period of absorption in internal affairs. This absorption, in turn, dictates a policy of peace, which is all the more realistic because the Soviet Union, unlike many other states, at present seeks neither territorial expansion nor political alliances. At the same time, the Soviet government does not favor national isolation or economic self-sufficiency,<sup>8</sup> except perhaps as a last weapon against potential capitalist attack. Nevertheless, existing divergences between capitalism and the Soviet economic order, and widespread fear that once the Soviet Union has completed its economic program it will attack the capitalist system, cannot fail to influence Soviet relations with the Western world. The Soviet government, however, for the present at least has no desire to provoke such a conflict; on the contrary, it is determined to collaborate with capitalist states in the maintenance of peace, which is essential to the fulfilment of its economic plans.

#### **Soviet Efforts for International Peace**

This attitude is illustrated by the three main policies which the Soviet Union has championed at international conferences and in negotiations with individual states — its demand for the fullest possible measure of disarmament, its drive to strengthen the Anti-War Pact by non-aggression agreements, and its advocacy of economic non-aggression. While the Soviet press has been invariably skeptical regarding the possibility of achieving concrete results at the Disarmament Conference, the Soviet delegation, headed by M. Litvinov, Soviet Commissar of Foreign Affairs, has pressed for sweeping disarmament measures. As early as December 1927 the Soviet government submitted to the Preparatory Commission for the Disarmament Conference a plan for total and universal abolition of all armies, navies and air forces. This proposal, which other states regarded as an attempt to obstruct the work of the conference by demanding the impossible, was rejected. The Soviet government then introduced a plan for proportional reduction of armaments on the basis of amounts possessed by each country on a fixed date.<sup>9</sup> When the World Disarma-

ment Conference finally assembled on February 2, 1932, the Soviet delegation once more presented its proposal for progressive and proportional disarmament, intended to guarantee "equality to all." A Soviet resolution proposing to base the work of the conference "on the principle of general and complete disarmament," however, was rejected on February 25. M. Litvinov immediately declared that the Soviet delegation was ready to discuss any projects tending to reduce armaments.<sup>10</sup>

Parallel with its efforts for disarmament, the Soviet government has sought to strengthen and supplement the Anti-War Pact, to which it adhered on September 6, 1928, but whose terms it considers too indefinite to be effective. On February 9, 1929, in Moscow, the Soviet Union, Poland, Rumania, Latvia and Estonia signed the Litvinov protocol which provided that the Anti-War Pact would become applicable as between the five signatories immediately on ratification by them. The Soviet government, however, was not yet satisfied, and pressed for the conclusion of bilateral non-aggression pacts with neighboring states. Negotiations hung fire until 1932, when the Soviet Union succeeded in concluding non-aggression pacts with France, Poland, Estonia, Latvia and Finland.<sup>11</sup>

The Soviet government has also attempted to put teeth into the Anti-War Pact by proposing to the Disarmament Conference, on February 6, 1933, the adoption of a broad definition of the term "aggressor." According to this definition, the term "aggressor" would be applied to any state which declared war against another, invaded another's territory without declaration of war, bombarded its territory, landed military forces without its consent, or established a naval blockade. No consideration of a political, economic or strategic nature was to be accepted as justification of aggression. An unprovoked attack could not, in particular, be justified by the political, economic or cultural backwardness of a given country; alleged maladministration; revolution or counter-revolution; the establishment or maintenance in any state of a given political, economic or social order; or the enactment by a state of legislation infringing the economic rights or interests of another state.<sup>12</sup> The Soviet formula, clearly framed to condemn any attack on the Soviet Union, was adopted with minor alterations by the Security Committee of the Disarmament Conference as the basis of a resolution regarding aggression which it submitted on May 24, 1933, and was later em-

8. Cf. speech by M. Litvinov, Soviet Commissar of Foreign Affairs, at World Economic Conference, June 14, 1933. *Soviet Union Review*, July-August, 1933, p. 146.

9. David Woodward, "Limitation of Land Armaments," *Foreign Policy Association, Information Service*, April 2, 1930.

10. William T. Stone, "The World Disarmament Conference: First Stage, February 2-March 17, 1932," *Foreign Policy Reports*, May 11, 1932.

11. Cf. p. 125-127.

12. *Soviet Union Review*, March 1933, p. 55 et seq.



bodied in two conventions concluded by the Soviet Union with neighboring states.<sup>13</sup>

Finally, alarmed by the campaign against Soviet trade which developed in 1930, the Soviet government at a meeting of the Commission on European Union at Geneva on May 18, 1931 proposed the conclusion of an economic non-aggression pact. The Soviet draft proposal, then directed mainly against France, stated that the "mitigation of the economic crisis . . . required, in addition to the renunciation of war as a means for the solution of international conflicts, the complete cessation of all forms of economic aggression, both avowed and concealed." The contracting parties were to undertake not to apply any discriminatory measures in their relations with each other, and to regard the adoption by any state of a special régime directed against one or several states subscribing to the pact as incompatible with the latter's principles.<sup>14</sup> While no international action has yet been taken with regard to this proposal, which was laid before the World Economic Conference, the non-aggression pacts concluded by the Soviet Union with France, Estonia and Latvia contain provisions barring economic aggression.<sup>15</sup> When President Roosevelt, on May 16, called on all states to support disarmament, conclude a non-aggression pact and work for economic peace, the Soviet government could truthfully reply that it had already backed these measures at all international conferences in which it had participated.<sup>16</sup>

The emphasis which the Soviet Union places on the preservation of peace, and the decisive influence of internal economic considerations on its foreign policy emerge even more clearly from an analysis of its relations with individual capitalist states.

#### ANGLO-SOVIET RELATIONS, 1930-1933

The resumption of Anglo-Soviet diplomatic relations in 1929 and the conclusion of a provisional trade agreement on April 16, 1930<sup>17</sup> ushered in a period of active commercial relations between the two countries. The extension after 1929 of credits under the Export Credits Act, 75 per cent of which may be guaranteed by the British government, also served to stimulate Anglo-Soviet trade. These credits not only made it possible for the Soviet Union to purchase large quantities of British machinery and other manufactured goods, but to divert to Great Britain orders it had previously placed in the United

States; as a result, while Soviet imports from the United States declined sharply in 1932, Soviet imports from Great Britain showed a marked increase during the same year. It has been estimated that by April 1933 the Soviet government owed Great Britain about £13,000,000 for goods already supplied, at least £7,000,000 of which had been guaranteed by the British government under the Export Credits Act.<sup>18</sup>

Important as the Soviet market was for British industry,<sup>19</sup> Soviet exports to Great Britain, consisting chiefly of raw materials—lumber, oil, flax, furs and grain—greatly exceeded Soviet imports in value, as may be seen from the following table:

*Soviet Trade with Great Britain*<sup>20</sup>  
(In Rubles)

	1930	1931	1932
Soviet exports ..	279,909,000	266,071,000	134,311,000
Soviet imports ..	80,129,000	73,381,000	90,932,000

The favorable balance of trade enjoyed by the Soviet Union caused widespread dissatisfaction among British Tories, who complained that the Soviet monopoly of foreign trade placed Great Britain at a disadvantage, and enabled the Soviet government to use the proceeds of sales in Great Britain for purchases in countries where its trade balance was unfavorable, notably Germany. The Tories, moreover, opposed continuance of Anglo-Soviet trade on the ground that the Soviet Union was "dumping" raw materials abroad, and that Soviet goods were produced by "forced" labor. Trade with the Soviet Union was meanwhile supported both by the Labour party, which hoped that it would furnish employment to British workers, and by business and industrial leaders who contended that, in a period of dwindling foreign trade, the U.S.S.R. furnished an important market for manufactured goods, and that Soviet raw materials—especially lumber, oil and flax—were both better in quality and lower in price than those of competing countries. Despite strong Tory pressure, Premier MacDonald continued to favor expansion of Soviet trade, and even after the advent of the National Cabinet the British Board of Trade increased the term of government-guaranteed credits for Soviet purchases from twelve to eighteen months.<sup>21</sup>

Anglo-Soviet commercial relations, however, experienced a serious setback following the Imperial Economic Conference held at Ottawa in July-August 1932. At that conference Canada, whose exports of lumber had suffered from Soviet competition, demanded that Great Britain restrict Soviet

13. Cf. p. 127.

14. *Soviet Union Review*, June 1931, p. 128.

15. Cf. p. 125, 127.

16. For the text of the reply of Michail Kalinin, chairman of the Central Executive Committee of the U.S.S.R., to President Roosevelt on May 19, 1933, cf. *New York Times*, May 20, 1933.

17. Dean, "Foreign Trade Policy of the Soviet Government," cited, p. 368.

18. *The Economist* (London), April 22, 1933, p. 855.

19. It is estimated that in 1931 the Soviet Union took 22.9 per cent of all British machinery exports. *Economic Review of the Soviet Union*, October 15, 1932, p. 376.

20. "Soviet Foreign Trade for 1932," *Soviet Union Review*, March 1933, p. 50.

21. *Economic Review of the Soviet Union*, October 15, 1932, p. 376.

imports.<sup>22</sup> The British government, while willing to increase the tariff on Soviet lumber and to restrict its importation in case of "dumping," hesitated to conclude an agreement directed specifically against Soviet trade, fearing to provoke Soviet reprisals. Great Britain and Canada finally compromised by agreeing that, if the creation or maintenance of prices on certain commodities by action of a foreign state threatened to frustrate the preferences which one of them granted the other, each might prohibit the import of such commodities from the foreign state for as long a period as might be necessary.<sup>23</sup>

When the Ottawa agreements were brought before the House of Commons on October 18 Mr. Thomas, Secretary of State for Dominion Affairs, announced that it had become necessary to terminate the Anglo-Soviet trade agreement, since its provision for most-favored-nation treatment "would stand in the way of the prohibition which might in conceivable circumstances" be required by Great Britain's obligation to Canada.<sup>24</sup> In a note addressed to the Soviet Ambassador in London on October 17 Sir John Simon, British Secretary for Foreign Affairs, had already given six months' notice of the termination of the trade agreement, adding that Great Britain "remained anxious for the furtherance of trade between the two countries" and was prepared to negotiate a new treaty.<sup>25</sup> Denunciation of the Anglo-Soviet trade agreement produced a painful impression both in Great Britain and the Soviet Union. The U.S.S.R. did not answer the British note until December 9, 1932, when it agreed to discuss a new commercial treaty. The negotiations which opened in London on December 15 had apparently made little progress when they were interrupted by the arrest on March 11 and 12, 1933 of six British engineers in the Soviet Union on charges of espionage, bribery, and "wrecking" of the Soviet electrical industry.

#### Trial of the British Engineers

These engineers, arrested by the OGPU—Soviet political police—were employed by the Metropolitan-Vickers Company, a British concern dealing in the sale and installation of electrical machinery and turbines, which has been operating in the Soviet Union for nearly ten years. Of the six engineers, two—Allan Monkhouse, manager of the Moscow

office, and Charles Nordwall—were released on March 14 after close questioning; three—William H. Thornton, John Cushny and A. L. Gregory—were freed on bail on April 4; and only one—William L. MacDonald—remained in prison throughout the trial.

The arrest of the Britishers created a sensation in Great Britain. Concern for the fate of the engineers was not diminished by the almost simultaneous execution of thirty-five Russians accused of agrarian sabotage, and by the report on March 12 from Sir Esmond Ovey, British Ambassador to Moscow, that there was a "reign of terror" in the Soviet Union.<sup>26</sup> It was feared that the British engineers would be subjected to a spectacular trial for the purpose of distracting Soviet opinion from the hardships imposed by the Five-Year Plan.<sup>27</sup> British Tories, moreover, seized on the arrest as proof of their contention that it is impossible to maintain normal trade relations with the Soviet Union.<sup>28</sup>

On March 15, before the charges against the British engineers were definitely known in Great Britain, Stanley Baldwin, president of the Council, declared in the House of Commons that the British government was convinced that there could be no justification for these charges, and that the arrests might have "unfortunate consequences" for Anglo-Soviet relations.<sup>29</sup> In an interview of March 16, Sir Esmond Ovey conveyed this opinion to M. Litvinov, Soviet Commissar of Foreign Affairs, and demanded the immediate and unconditional release of the prisoners on the ground of insufficient evidence, adding that "even in such a case an almost irreparable blow would have been delivered" to Anglo-Soviet relations. Litvinov replied that the Soviet government was within its sovereign rights in arresting foreigners accused of crimes committed within its borders, and that Great Britain was virtually demanding that its citizens be excepted from the application of Soviet laws.<sup>30</sup>

Great Britain countered on March 20 by suspending Anglo-Soviet negotiations for a new trade agreement until the charges against the engineers had been cleared up.<sup>31</sup> On March 28 Sir Esmond Ovey delivered a virtual ultimatum to Litvinov.<sup>32</sup> The Soviet Foreign Commissar replied that British attempts at coercion might be successful in

26. Great Britain, *Correspondence Relating to the Arrest of Employees of the Metropolitan-Vickers Company at Moscow, Russia No. 1* (1933), Cmd. 4286, London, H.M.S. Office, 1933, p. 4.

27. Sir Robert Vansittart to Sir Esmond Ovey, March 16, 1933. *Ibid.*, p. 17.

28. *Ibid.*, p. 5.

29. *Ibid.*, p. 16. On March 13 Sir Robert had telegraphed the British Ambassador that suggestions implicating the British engineers "in any 'plot' or illegal activities will command no credence whatever here." *Ibid.*, p. 5.

30. *Ibid.*, p. 21.

31. *Further Correspondence Relating to the Arrest of Employees of the Metropolitan-Vickers Company at Moscow, Russia No. 2* (1933), Cmd. 4290, London, H.M.S. Office, 1933, p. 3.

32. *The Times* (London), March 30, 1933.

22. It is estimated that, while total exports of lumber during the period 1929-1932 declined by 41 per cent—the brunt of the reduction being borne by the United States and Canada—the Soviet Union increased its lumber exports by 15 per cent. *The Economist*, April 29, 1933, p. 902.

23. Maxwell S. Stewart, "The Ottawa Conference," *Foreign Policy Reports*, December 21, 1932, p. 248-249.

24. *The Times* (London), October 19, 1932.

25. *Economic Review of the Soviet Union*, November 15, 1932, p. 396.

such states as Mexico—where Sir Esmond had served as Minister before going to Moscow—but were doomed to failure in the Soviet Union. On March 30 the British government requested Sir Esmond to return to London for consultation regarding the Metropolitan-Vickers case. Immediately following his arrival in Great Britain on April 2, the government announced that it would introduce a bill authorizing an embargo on Soviet goods. This bill was rushed through the House of Commons, which passed it on April 6, after Sir John Simon had explained that it would be used only to secure the release of the British engineers and that its application would be limited to three months.

The six Britishers, together with a number of Russians, were brought to trial before the Supreme Court of the Soviet Union on April 12. William MacDonald caused a sensation by pleading guilty to all the charges preferred against him in the indictment, which was based in large part on confessions he had made before the trial.<sup>33</sup> In these confessions he had implicated the other Britishers, who stoutly denied at the trial that they had been guilty of espionage, bribery or "wrecking." It was revealed on April 13, however, that Thornton, too, had made a signed confession, in which he stated that C. T. Richards, export manager of the Metropolitan-Vickers in London and alleged to be a member of the British secret service, had conducted political and economic espionage in the Soviet Union through twenty-seven employees of the firm. Thornton repudiated his confessions during the trial, saying that they had been made under "moral pressure." MacDonald also attempted to repudiate his earlier confessions, but later substantiated many of his pre-trial statements. The verdict, pronounced on April 19, proved much milder than had been expected: Gregory was acquitted; Monkhouse, Nordwall and Cushny were deported from the Soviet Union for five years; Thornton, described as "the mastermind of the plot," was sentenced to three years in prison; and MacDonald, in consideration of his "sincere confession," was sentenced to two years.

#### The British Embargo

The verdict was on the whole greeted with relief in Great Britain. The Metropolitan-Vickers Company, however, denounced it as a "travesty of justice," and on April 19 the British government prohibited for three months, as of April 26, the importation of Soviet lumber, oil, cotton, grain and butter, constituting about 80 per cent of British im-

ports from the Soviet Union.<sup>34</sup> Soviet flax, which is needed by the Belfast linen industry, and furs, in which London does an important re-export business, were not affected by the embargo.<sup>35</sup> The Anglo-Soviet trade agreement had meanwhile expired on April 17, when the diplomatic immunity accorded to the head of the Soviet trade delegation in London was withdrawn. On April 20 the Soviet government recalled its trade delegation for "consultation," and two days later prohibited all purchases of British goods and chartering of British vessels.

The Soviet government apparently had reason to suspect the activities of some, at least, of the British engineers involved in the case, although certain of these activities, such as the collection of political and economic information, might not have been regarded as criminal in other countries. No documentary evidence, however, was produced at the trial, and the prosecution was based almost entirely on testimony given by the defendants, both British and Russian, in pre-trial confessions. The Britishers, on the other hand, made a very inadequate defense. Although five of them were at liberty during the trial and presumably could call on the British Embassy for advice, they showed little cooperation in disputing the charges of the prosecutor. Allowing for the fact that the basic concepts of Soviet law and legal procedure differ fundamentally from those of Great Britain, there appears to have been no denial of justice in the international law sense of the word. Under the circumstances the British government, according to many observers, acted hastily and without sufficient justification in threatening an embargo before the trial and imposing it after the unexpectedly mild verdict.<sup>36</sup>

The economic hardships inflicted on British trade by the embargo soon brought about reconsideration of the British position. On July 1 Great Britain lifted its embargo on Soviet goods, while the Soviet government released Thornton and MacDonald and terminated its counter-embargo. Anglo-Soviet negotiations for a new trade agreement will now be resumed in London. Great Britain, however, will probably demand that Soviet purchases of British products shall more nearly balance Soviet sales than in the past.

#### HITLERISM ALTERS SOVIET-GERMAN RELATIONS

The cessation of Anglo-Soviet trade hostilities was all the more welcome to the Soviet

33. Cf. Mr. Strang, British Chargé d'Affaires in Moscow, to Sir John Simon, April 4, 1933, for some details regarding MacDonald's pre-trial testimony. *Ibid.*, p. 18. For the official verbatim report of the trial, cf. *The Case of N. P. Vivitsky et al. Charged with Wrecking Activities at Power Stations in the Soviet Union* (Moscow, State Law Publishing House, 1933, 3 vols.).

34. The value of these imports in 1932 is estimated as follows: lumber, £5,500,000; oil, £2,700,000; cotton, £400,000; wheat, £905,380; butter, £1,234,873. Other prohibited commodities were oats, barley, poultry and game. "Anglo-Russian Trade," *The Economist*, April 22, 1933, p. 855.

35. *Ibid.*

36. "Britain and Russia," *The Economist*, April 8, 1933, p. 738; "Moscow and After," *ibid.*, April 22, 1933, p. 847.



Union at a time when its relations with Nazi Germany had suddenly taken a turn for the worse. Although Fascism had been consistently denounced in the Soviet press, the Soviet government did not permit Hitler's advent to power, and the subsequent suppression of German Communism to affect the relations it had developed with Germany since Rapallo. True, the Soviet Embassy in Berlin protested against Nazi raids on Soviet concerns and the arrest of some Germans in Soviet employ.<sup>37</sup> The Soviet press, however, abstained from editorial comment regarding the internal policies of the Hitler régime, and on May 5 the two countries concluded a protocol in Moscow prolonging the Berlin neutrality treaty of April 24, 1926 and the conciliation convention of June 24, 1931.<sup>38</sup> In discussing this event *Izvestia*, official organ of the Soviet government, stated that "in spite of their attitude toward Fascism, the people of the U.S.S.R. wish to live in peace with Germany, and consider that the development of Soviet-German relations is in the interest of both countries."<sup>39</sup>

This cordial atmosphere, however, was somewhat clouded on June 16, when Dr. Alfred Hugenberg, then German Minister of Commerce and Agriculture, asked the World Economic Conference to restore to Germany its former African colonies and give its "people without room" some additional territory, presumably in Europe.<sup>40</sup> This demand, which appeared to confirm earlier statements by Chancellor Hitler and Alfred Rosenberg, now foreign adviser of the Nazi party, regarding German expansion to the East and seizure of the Ukraine,<sup>41</sup> provoked apprehen-

sion in the Soviet Union. On June 19 *Pravda*, organ of the Communist party, denounced the Hugenberg proposal and warned Germany that "the Soviet Union is now a great power which can defend itself" against those "who attempt to grab Soviet soil by bandit aggression."<sup>42</sup> This attitude was underlined on June 22 by the impressive funeral tendered in Moscow to Clara Zetkin, veteran German Communist.

#### Continuance of German Credits

Competent observers believe, nevertheless, that trade and financial considerations may prevent a break in Soviet-German relations. The trade agreement of April 14, 1931, which replaced that of October 12, 1925, gave a powerful impetus to trade between the two countries. In this agreement the Soviet Union undertook to place orders totaling 300 million marks by August 31, 1931, while leading German industries agreed to extend credits, 60 per cent of which were to be guaranteed by the German government, for a maximum period of thirty-three months.<sup>43</sup> A Soviet-German protocol of December 22, 1931 further provided that all sales and purchases were to be made in German marks and not, as before, in dollars or sterling. As a result of these arrangements, Soviet orders in Germany rose from 350 million marks in 1930 to 920 million in 1931, and the Soviet Union advanced from third to first place among Germany's foreign markets. Soviet orders not only furnished work for German heavy industry and shipbuilding, but permitted Germany to show an export surplus despite the drastic decline of its foreign trade as a whole. In a further effort to develop their commercial relations, the two countries signed a new agreement on June 15, 1932. The total volume of orders to be placed by the Soviet Union was not stipulated, but it was provided that credits might be extended for longer periods than in the past on large transactions, as well as on certain types of equipment, such as ships and locomotives.<sup>44</sup>

The new agreement, however, did not have the desired effect. The Soviet Union, handicapped by the decline of world prices on its exports of raw materials, reduced its German orders to 410 million marks in 1932, and its determination to decrease purchases of heavy machinery under the second Five-Year Plan is expected to result in further curtailment

37. *New York Times*, March 30 and April 26, 1933.

38. For the text of this protocol, cf. *Soviet Union Review*, June 1933, p. 135. The neutrality treaty was intended to assure the Soviet Union that Germany's participation in the Locarno treaties of 1925 and its entrance into the League of Nations would not affect its relations with the U.S.S.R. The two countries undertook to "remain in friendly touch in order to promote an understanding with regard to all political and economic questions of mutual interest." In case one of the parties were attacked by one or more states, the other agreed to maintain neutrality for the entire duration of the conflict. Should a coalition be formed between third powers with a view to the economic or financial boycott of either of the contracting parties, the other undertook not to adhere to such a coalition. For the text of this treaty, cf. *League of Nations, Arbitration and Security*, C.653.M.126, Geneva, 1927, p. 389.

39. *Izvestia*, May 6, 1933; for a similar view, cf. "Potsdam und Rapallo," *Boersen Courier*, May 7, 1933.

40. *New York Times*, June 17, 1933.

41. In 1930 Alfred Rosenberg made the following statement regarding the fate which an "awakened" Germany intended for the Soviet Union:

"From West to East" is now the direction from the Rhine to the Vistula, "from West to East" must resound from Moscow to Tomsk. The "Russian" who cursed Peter and Catherine was a real Russian. Europe should never have been forced on him. In the future, after the separation of the non-Russian territories (the Western provinces, the Ukraine, the Caucasus), he will have to be content to transfer his centre of gravity to Asia. Only in this way will he perhaps at last reach an inner equilibrium and will not constantly oscillate between false submission and haughty pretension, will not deliver his 'words' to a Europe which has lost its 'way.' Let him turn his 'word' to the East, where there may be room for it, having first cleansed it of that mixture of the ideas of Baboeuf, Blank [sic], Bakunin, Tolstol, Lenin and Marx, called Bolshevism. In Europe, which is alien to him and which he hates, there is no room for him any more." Alfred Rosenberg, *Der Mythos des 20. Jahrhunderts* (Munich, Hoheneichen-Verlag, 1930), p. 601. For a caustic analysis of Rosenberg's views on foreign policy, cf. Karl Radek,

"Sovetnik s Kanatchikovoi Datchi" (An Adviser from the Mad House), *Izvestia*, May 12, 1933.

In 1930 Hitler denounced Bolshevism as an attempt of the Jews to obtain world power, and declared that Germany could acquire territory for its surplus population only in the East, and must consequently make war on Russia. Adolf Hitler, *Mein Kampf* (Munich, Franz Eher, 1930), p. 742 et seq.

42. *New York Times*, June 20, 1933.

43. *Economic Review of the Soviet Union*, May 15, 1931, p. 219.

44. "New Soviet-German Trade Agreement," *Economic Review of the Soviet Union*, July 15, 1932, p. 294.



of orders. The situation has caused considerable concern in German business circles, especially because the Soviet Union already owes Germany over one billion marks for goods purchased on credit, between 700 and 800 million of which fall due in 1933,<sup>45</sup> while Soviet sales are not expected to exceed 200 million marks during the current year. German bankers and industrialists have thus been confronted with the alternative of stopping further credits for Soviet purchases and jeopardizing repayment of sums already due, or of extending existing credits in the hope that the Soviet government will meet its current obligations. That they have chosen the latter course is indicated by the fact that early in March 1933 a syndicate of German banks advanced 60 million marks on Soviet gold production in 1933, and between 80 and 100 million marks on Soviet exports to Germany; these advances, unlike other German credits, are not covered by government guarantee.<sup>46</sup>

#### FRANCO-SOVIET RAPPROCHEMENT

The rapid rise of Hitlerism played a decisive part in healing the breach which had occurred between France and the Soviet Union in October 1930, when the French government subjected Soviet goods to a system of licenses on the ground that the balance of trade was distinctly unfavorable to France.<sup>47</sup> M. Litvinov's proposal of May 18, 1931 for an economic non-aggression protocol<sup>48</sup> had already served to pave the way for Franco-Soviet trade negotiations. In June 1931, while M. Dovgalevski, Soviet Ambassador to France, was discussing a political non-aggression pact with the French Foreign Office, a special Soviet trade delegation opened negotiations in Paris for a commercial *modus vivendi* between the two countries.<sup>49</sup> Failure to reach a compromise regarding Tsarist debts and French credits for Soviet purchases prevented the conclusion of a trade agreement at that time. A Franco-Soviet non-aggression pact, however, was initialed in August 1931, but was held in abeyance, partly because of the criticism it had aroused among French nationalists, partly to await the successful outcome of Soviet negotiations with France's allies—Poland and Rumania—for similar agreements.

The accession to power in June 1932 of a Radical Socialist cabinet headed by M. Herriot, who had long favored Soviet rapprochement, and fear that Germany would attempt to re-arm gave a fresh impetus to Franco-Soviet negotiations. France was eager to

establish closer relations with the Soviet Union as a counterweight to nationalist Germany. The Soviet government, which could not remain indifferent to the anti-Marxist features of Hitler's program and was seeking new markets to replace the possible loss of British and German trade, welcomed France's overtures, and on November 29, 1932 the two countries signed the postponed non-aggression pact, as well as a conciliation convention.<sup>50</sup>

The non-aggression pact provides that neither country will, under any circumstances, alone or with third powers, resort to war or any form of aggression against the other. If either is attacked by a third state, the other promises not to give direct or indirect assistance to the aggressor. Each party, moreover, agrees to refrain from any measure which would exclude the other from full participation in its foreign trade—thus preventing recurrence of the trade war which the two countries waged in 1930. Finally, each undertakes to abstain from interference in the other's internal affairs and from propaganda designed to change by force the political or social régime of the other's territory. It is understood that this clause applies not only to alleged Communist propaganda in France and French Indo-China, but to French support of anti-Soviet activities conducted by White Russians residing in France.

In the accompanying conciliation convention the two countries agree to submit all disputes "of whatever nature" which could not be settled by ordinary diplomatic means to a conciliation commission composed of two French and two Soviet citizens appointed for each session by their respective governments. This commission is to meet alternately in Paris and Moscow once a year, and will determine its own procedure.

Undeterred by nationalist criticism of the pact, the Paul-Boncour and Daladier governments which succeeded that of M. Herriot proceeded with negotiations for a Franco-Soviet trade agreement which, according to M. Paul-Boncour, would give practical value to the non-aggression pact.<sup>51</sup> Such an agreement has hitherto been blocked by France's demand that the Soviet government acknowledge Tsarist debts before it can receive French credits. The French, moreover, have complained that the balance of trade between the two countries has been unduly unfavorable to France, and that the Soviet

45. *Der deutsches Volkswirt*, March 3, 1933, p. 693.

46. *New York Herald Tribune*, March 6, 1933.

47. Dean, "Foreign Trade Policy of the Soviet Government," cited, p. 372.

48. Cf. p. 121.

49. "Development of Soviet Trade with Europe," *Economic Review of the Soviet Union*, July 15, 1931, p. 326.

50. For the texts of the pact and the convention, cf. *Soviet Union Review*, January 1933, p. 4; *L'Europe Nouvelle*, December 3, 1932, p. 1414. The two instruments went into effect on February 15, 1933. On May 18, 1933 the French Chamber of Deputies approved ratification of the pact by 554 votes against one (André Tardieu), with 48 abstaining. *Le Temps*, May 20, 1933.

51. Cf. speech by M. Paul-Boncour, French Foreign Minister, in the Senate on May 4, 1933. *Le Temps*, May 6, 1933, p. 4.

government has used the proceeds of sales in France for purchases in other countries, notably Germany.<sup>52</sup> Adjustment of the Franco-Soviet balance of trade, however, has proved difficult, for while France offers an outlet for Soviet raw materials—especially oil,<sup>53</sup> manganese, lumber and flax—France's principal exports, consisting of articles of luxury, find no market in the Soviet Union. Despite these various obstacles, it was reported on May 29 that Franco-Soviet trade negotiations were nearing a successful conclusion. The point which still remains unsettled concerns the extension of credits for Soviet purchases; the French government is apparently willing to guarantee credits up to 50 per cent, but demands that a part of the money realized on Soviet sales in France should be used to repay these credits.<sup>54</sup>

M. Herriot, who now heads the Senate Foreign Affairs Commission, would even go further than a commercial accord, and has urged the conclusion of a Franco-Soviet alliance.<sup>55</sup> He has emphasized the strength and discipline of the Soviet army and air forces, and the desirability of establishing contacts between the general staffs and war industries of the two countries.<sup>56</sup> That Soviet collaboration may prove valuable to France in international affairs has already been indicated by the attitude of the Soviet government at the Disarmament Conference. On February 6, 1933, in a speech welcomed by the French delegation, M. Litvinov stated that France's demand for security had to be considered "with all seriousness," and offered a broad definition of the term "aggressor"<sup>57</sup> intended to support the French position on security.<sup>58</sup> Again in May, when the Security Committee of the Disarmament Conference submitted a definition of the term "aggressor" which closely followed that proposed by M. Litvinov, the French delegation congratulated the Soviet delegate, M. Dovgalevski, who in turn supported his French colleague, René Massigli, on several technical points.<sup>59</sup> A further step toward Franco-Soviet rap-

prochement was taken in May, when the two countries exchanged military attachés.

#### COLLABORATION WITH POLAND

France has not only established close collaboration with the Soviet Union, but has urged its allies, Poland and Rumania, to follow a similar course. The Soviet Union had approached Poland as early as 1926 regarding a non-aggression pact. The Polish Foreign Office, however, attempted to transform it into an alliance against Germany, and insisted on the simultaneous conclusion of a Soviet-Rumanian agreement. The Soviet government rejected these conditions, and negotiations were abandoned in 1927. When France and the Soviet Union began to explore the possibilities of a non-aggression agreement in the summer of 1931, Soviet-Polish conversations were resumed<sup>60</sup> and on January 25, 1932 the two countries initiated a non-aggression pact.<sup>61</sup> Further delay was occasioned by Poland's renewed efforts to secure a Soviet-Rumanian rapprochement. When these negotiations showed little progress Poland, alarmed by the growth of German nationalism, signed the non-aggression pact and the accompanying conciliation convention with the Soviet Union on July 25, 1932.<sup>62</sup>

Poland's action aroused a storm of protest in Rumania, which charged that it violated the Polish-Rumanian treaty of March 3, 1921. In this treaty the two countries undertook to assist each other in case of unprovoked attack on their respective eastern frontiers, and to consult on all questions of foreign policy concerning their relations with their eastern neighbors; each agreed, moreover, not to conclude an alliance with a third power without first obtaining the assent of the other.<sup>63</sup> According to Rumania, the Soviet-Polish non-aggression pact invalidated this defensive alliance which had always been regarded as directed against the Soviet Union.<sup>64</sup> Poland, however, convinced that it had already done its utmost to bring about a Soviet-Rumanian agreement and that Germany presented a far more immediate danger than the Soviet Union, ratified its non-aggression pact on November 27. Ratification was apparently due less to French influence than to fear that France might discontinue its military and financial support of Poland, and leave its ally at the mercy of nationalist Germany.<sup>65</sup>

The non-aggression pact had an immediately favorable effect on Soviet-Polish trade,

52. The following table shows the balance of Franco-Soviet trade over a period of three years:

Soviet Trade with France (In Rubles)			
	1930	1931	1932
Exports to France .....	44,146,000	28,330,000	28,536,000
Imports from France .....	29,710,000	14,998,000	3,879,000

"Soviet Foreign Trade for 1932," cited.

53. The French government has long purchased Soviet oil for the navy. In August 1932 a group of eleven independent French oil and refining companies, headed by French *Petrofina*, concluded a five-year contract with the Soviet Naphtha Export Society, according to which France will import from 280,000 to 520,000 tons of unrefined petroleum a year, as well as refined oil and gasoline. *New York Herald Tribune*, August 10, 1932.

54. *New York Times*, May 30, 1933.

55. *Journal des Débats*, March 24, 1933, p. 481.

56. Cf. speech by M. Edouard Herriot in the Chamber of Deputies on May 18, 1933, *Le Temps*, May 20, 1932; also Edouard Herriot, *La France et le Monde* (Paris, Hachette, 1933), p. 76 et seq.

57. Cf. p. 120.

58. *Izvestia*, May 4, 1933.

59. *New York Times*, May 25, 1933; *New York Herald Tribune*, May 26, 1933.

60. *Izvestia*, August 27, 1931.

61. For the text of this pact, cf. *L'Europe Nouvelle*, March 19, 1932, p. 381.

62. "The Soviet-Polish Non-Aggression Pact," *Izvestia*, July 30, 1932.

63. League of Nations, *Treaty Series*, Vol. VII (1921-22), p. 79.

64. Eugene Kovacs, *New York Times*, August 14, 1932.

65. Vera Micheles Dean, "Political Realignments in Europe," *Foreign Policy Reports*, May 10, 1933.

which received a fresh impetus following the British embargo, when the Soviet Union began to import from Poland machine tools and other equipment it had formerly purchased in Great Britain. The further increase of Soviet purchases in Poland, whose heavy industry is well equipped to supply Soviet needs, is seriously hampered by Poland's inability to extend large credits. Polish business men have attempted to overcome this obstacle by arranging barter transactions with the Soviet Union.

#### SOVIET OVERTURES TO LITTLE ENTENTE

Conclusion of a Soviet-Rumanian non-aggression pact has meanwhile been hampered by Bucharest's demand that the Soviet government first recognize the occupation of Bessarabia, a Russian province which Rumania seized in 1918.<sup>66</sup> Negotiations between the two countries, in which Poland and France took an active part, were finally broken off on November 23, 1932, largely owing to the influence of M. Titulescu, Rumanian Foreign Minister, who refused to yield to French pressure. Poland, however, profited by the World Economic Conference to arrange the renewal of negotiations between MM. Litvinov and Titulescu. On July 3 the Soviet Union and seven of its neighbors—Afghanistan, Estonia, Latvia, Persia, Poland, Rumania and Turkey—signed a pact which contains a definition of aggression based on the proposal of February 6, 1933, and on the following day a similar pact, to which other states are invited to adhere, was concluded by the Soviet Union with the three Little Entente states—Rumania, Czechoslovakia and Yugoslavia.<sup>67</sup> The second pact, which has been greeted as an "Eastern Locarno," is particularly interesting because it marks the first occasion when the Soviet Union has entered into an agreement with Czechoslovakia and Yugoslavia; the former recognized the Soviet government *de facto* in 1922, but the latter has hitherto had no official relations with the U.S.S.R.

#### NON-AGGRESSION PACTS WITH BALTIC STATES

The Soviet Union, which long feared that the Baltic states with their predominantly *petit bourgeois* governments and their hostility to Bolshevism might become the nucleus of an anti-Soviet coalition in Eastern Europe, has persistently sought to maintain peaceful relations with these former sections of the Tsarist Empire. As early as 1926 it concluded a non-aggression and neutrality pact with Lithuania, which was renewed on August 29, 1931 for five years,<sup>68</sup> and which

at one time constituted a serious obstacle to Soviet-Polish rapprochement. Negotiations for similar agreements with Estonia and Latvia proved more arduous. Latvia, however, signed a non-aggression pact at Riga on February 5, 1932,<sup>69</sup> and Estonia followed suit on May 4, 1932.<sup>70</sup> In both pacts each party undertook not to participate in any military or political agreements directed against the independence, territorial integrity or security of the other, or designed to subject either to financial or economic boycott. Of all the Baltic states, Finland has proved least amenable to Soviet overtures. The long land frontier between the two countries has been the scene of various border incidents. Certain elements in Finland, moreover, represented by the Lapua nationalist movement, have never become reconciled to the fact that, under its treaty of peace with the Soviet government in 1920, Finland failed to acquire the district of Eastern Karelia; they have consequently encouraged irredentist movements in that region, the most recent of which occurred in 1931.<sup>71</sup> Nevertheless, on January 21, 1932 Finland concluded a non-aggression pact with the Soviet Union,<sup>72</sup> and Soviet-Finnish trade relations have since shown considerable improvement.

#### THE SOVIET UNION AND FASCIST ITALY

The friendly spirit which has on the whole marked relations between the Soviet Union and the Mussolini régime since 1924, when Italy recognized the Soviet government, is regarded by many observers as evidence that the U.S.S.R. is ready to be on good terms with all countries, irrespective of the treatment they may accord Communism at home. Divergent as are the basic concepts of Communism and Fascism, the political and economic systems of Italy and the Soviet Union present certain striking similarities which, in a sense, facilitate an understanding between the two countries. The Soviet Union, moreover, shares Italy's disdain for the League of Nations and its doubts that either disarmament or economic cooperation can be achieved at international conferences. Nor has Italy, which must import timber, oil and other raw materials, had occasion to complain of Soviet "dumping."

Italo-Soviet trade relations were cemented by the agreement of August 2, 1930, in which the Italian government undertook to guarantee 75 per cent of the credits extended for

69. For the text of this pact, cf. *L'Europe Nouvelle*, March 19, 1932, p. 382.

70. For the text of this pact, cf. *Soviet Union Review*, June 1932, p. 142.

71. *Izvestia*, July 24, 1931. For more detailed discussion of Finnish policy, cf. Malbone W. Graham, "Security in the Baltic States," *Foreign Policy Reports*, February 17, 1932.

72. For the text of this pact, cf. *L'Europe Nouvelle*, February 20, 1932, p. 252.

66. Cf. interview of M. Litvinov, Soviet Commissar of Foreign Affairs, *Izvestia*, October 16, 1932.

67. *New York Times*, July 4 and 5, 1933.

68. *Izvestia*, August 3, 1931.



Soviet purchases, while the Soviet Union agreed to buy Italian goods to a total value of 200 million lire a year. This sum was raised to 350 million lire by an agreement concluded on April 27, 1931.<sup>73</sup> The arrangement, however, did not prove popular among Italian business men, who contended that the balance of trade was decidedly unfavorable to Italy, and that while the Soviet Union obtained Italian goods on long-term credits, Italy had to pay cash for Soviet products. The Soviet government, for its part, argued that its purchases in Italy had increased since 1930,<sup>74</sup> and that in addition it had chartered a number of Italian ships. Negotiations for a new agreement, begun in March 1932, made little progress, partly because the Soviet government requested that credits be extended for a longer period than the maximum fifty-four months—a demand which Italy rejected. Failing to obtain a satisfactory compromise, Italy denounced its trade agreement with the Soviet Union on January 18, 1933.

Negotiations continued, however, and on May 6 the two countries signed a trade agreement and a tariff convention: the former provided that the Italian government would continue to guarantee 75 per cent of the credits for Soviet purchases up to a total of 200 million lire a year, while the latter accorded most-favored-nation treatment to all Soviet goods.<sup>75</sup> The Soviet press, commenting on this agreement, stated that it served as new proof that the Soviet Union sincerely desires to establish peaceful relations with capitalist countries.<sup>76</sup> The conclusion on June 7 of the four-power pact sponsored by Premier Mussolini at first alarmed the Soviet Union, which viewed it as a new anti-Soviet plot. Italian reassurances, however, apparently allayed this fear, and on July 11 it was reported that the Soviet Union was negotiating a non-aggression pact with Italy.

#### U.S.S.R. GRANTS CREDITS TO TURKEY

The Soviet Union has established close collaboration with another dictatorship vigor-

ously opposed to communism—that of Mustafa Kemal Pasha of Turkey. Abandoning the traditional Tsarist policy of seeking to obtain control of Constantinople and the Straits, the Soviet government has repeatedly expressed its respect for Turkey's national independence,<sup>77</sup> and has urged it to throw off the financial control of capitalist states. On October 31, 1931 the two countries agreed to prolong for five years the treaty of neutrality and non-aggression which they had concluded in Paris on December 17, 1925, and the naval protocol signed at Angora on March 7, 1931.<sup>78</sup> The former was the first non-aggression pact negotiated by the Soviet Union and, as expanded in 1929, obligated each of the parties to sign no agreements with third states without the consent of the other, while the latter provided that each of the parties would give the other six months' notice before increasing the strength of its fleet in the Black Sea. Soviet-Turkish relations were further cemented in May 1932, when the Turkish Premier, Ismet Pasha, and Foreign Minister, Tewfik Rushdi Bey, visited Moscow, where they signed an agreement by which the Soviet Union undertook to grant Turkey credits totaling \$8,000,000 for the purchase of machinery and equipment, which Turkey is to repay with exports of agricultural and mineral products over a period of twenty years; no interest is to be charged on these credits by the Soviet government.<sup>79</sup> Soviet financial aid was particularly welcome to Turkey, which had found it impossible at that time to obtain further credits from Germany.

By its unremitting efforts for collaboration with capitalist states, the Soviet Union has sought to demonstrate the feasibility of the principle it first proclaimed in 1927—that, at the present stage of their development, capitalism and the Soviet economic order, described as socialism, can peacefully exist side by side. This principle, however, has not displaced the fundamental conviction of Soviet leaders that the triumph of socialism alone can eliminate all economic crises and international conflicts.<sup>80</sup>

73. *Economic Review of the Soviet Union*, May 15, 1931, p. 220.

74. An apparent discrepancy between the customs figures of the two countries is responsible for these conflicting opinions. Soviet figures appear to support the Soviet contention, as may be seen from the following table:

Soviet Trade with Italy (In Rubles)			
	1930	1931	1932
Exports to Italy .....	53,150,000	39,749,000	26,012,000
Imports from Italy .....	10,876,000	29,755,000	27,144,000

"Soviet Foreign Trade for 1932," cited.

75. *Soviet Union Review*, June 1933, p. 136.

76. *Izvestia*, May 9, 1933.

77. "The Soviet Union and Turkey," *Izvestia*, April 28, 1932.

78. *Izvestia*, November 2, 1931.

79. *Ibid.*, May 8, 1932; *Christian Science Monitor*, May 9, 1932.

80. Cf. speech by M. Litvinov, June 14, 1933, cited.